

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Riga Township	County Lenawee
Fiscal Year End March 31, 2006	Opinion Date April 20, 2006	Date Audit Report Submitted to State June 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

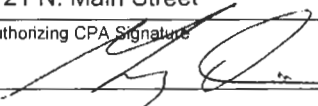
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not necessary	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Robertson, Eaton & Owen, P.C.		Telephone Number (517) 265-6154	
Street Address 121 N. Main Street		City Adrian	State MI
Zip 49221		License Number 1101008646	
Authorizing CPA Signature 		Printed Name Gary E. Owen	

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006
WITH
INDEPENDENT AUDITORS' REPORT**

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – ix
Independent Auditors' Report	1 – 2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 – 4
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	5
Statement of Activities	6 – 7
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	8
Reconciliations of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10 – 11
Reconciliations of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Operating Fund	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road Improvement Fund	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18 – 19
Statements of Fiduciary Net Assets – Fiduciary Funds	20
Notes to Financial Statements	21 – 31
 <i>Required Supplemental Information:</i>	
Combining Balance Sheet – Nonmajor Governmental Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	33
Statement of Changes in Assets and Liabilities – Tax Collection Fund	34

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2006

As management of Riga Township, Lenawee County, Michigan, we offer readers of Riga Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Riga Township, Lenawee County, Michigan for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Riga Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,286,433 (*net assets*). Of this amount, \$313,419 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$141,770. This increase is attributable to higher revenues and lower expenses.
- As of the close of the current year, Riga Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$565,258, an increase of \$101,781 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$269,829 or 125.6 percent of total general fund expenditures.
- Riga Township, Lenawee County, Michigan's total debt was \$1,599,865 at March 31, 2006. The debt was reduced by \$42,135 during fiscal year 2005-06.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Riga Township, Lenawee County, Michigan's basic financial statements. Riga Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Riga Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Riga Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Riga Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Riga Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Riga Township, Lenawee County, Michigan include general government, fire operating, road improvement, liquor law enforcement, and building department funds. The business-type activities of Riga Township, Lenawee County, Michigan include the water and sewer systems.

The government-wide financial statements can be found on pages 5 – 7 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that been segregated for specific activities or objectives. Riga Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Riga Township, Lenawee County, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Riga Township, Lenawee County, Michigan maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire operating, and road improvement, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

Riga Township, Lenawee County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 8 – 15 this report.

Proprietary Fund. Riga Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Riga Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Water and Sewer Funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of Riga Township, Lenawee County, Michigan.

The basic Proprietary Fund financial statements can be found on pages 16 – 19 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic Fiduciary Fund financial statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 31 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and the statement of changes in fiduciary assets and liabilities are presented immediately following the notes to the financial statements. These statements can be found on pages 32 – 34 this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Riga Township, Lenawee County, Michigan assets exceeded liabilities by \$3,286,433 and \$3,144,528 at March 31, 2006 and 2005, respectively.

At March 31, 2006 and 2005, by far the largest portion of Riga Township, Lenawee County, Michigan's net assets, 78 percent and 82 percent, respectively, reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. Riga Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Riga Township, Lenawee County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Riga Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Current and other assets	\$ 578,205	\$ 168,072	\$ 746,277	\$ 581,584
Capital assets	<u>827,415</u>	<u>3,344,937</u>	<u>4,172,352</u>	<u>4,231,535</u>
Total assets	<u>\$ 1,405,620</u>	<u>\$ 3,513,009</u>	<u>\$ 4,918,629</u>	<u>\$ 4,813,119</u>
Long term liabilities outstanding	\$	\$ 1,575,865	\$ 1,575,865	\$ 1,620,000
Other liabilities	<u>12,947</u>	<u>43,384</u>	<u>56,331</u>	<u>48,591</u>
Total liabilities	<u>\$ 12,947</u>	<u>\$ 1,619,249</u>	<u>\$ 1,632,196</u>	<u>\$ 1,668,591</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 827,415	\$ 1,745,072	\$ 2,572,487	\$ 2,589,535
Restricted	295,429	105,098	400,527	293,277
Unrestricted	<u>269,829</u>	<u>43,590</u>	<u>313,419</u>	<u>261,716</u>
Total net assets	<u>\$ 1,392,673</u>	<u>\$ 1,893,760</u>	<u>\$ 3,286,433</u>	<u>\$ 3,144,528</u>

Summary of Riga Township, Lenawee County Michigan's Change in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Program revenues:				
Cemetery	\$ 10,200	\$	\$ 10,200	\$ 4,055
Ambulance and fire	31,574		31,574	30,405
Permit fees	36,063		36,063	18,045
Bulk water	27,962		27,962	17,194
Hall rental	6,697		6,697	
Water usage		74,317	74,317	69,089
Sewer usage		<u>72,559</u>	<u>72,559</u>	<u>59,904</u>
Total program revenues	<u>112,496</u>	<u>146,876</u>	<u>259,372</u>	<u>198,692</u>
General revenues:				
Property taxes	219,825		219,825	203,593
State revenues	98,530		98,530	99,023
Investment earnings	10,023	2,498	12,521	7,595
Other	<u>10,284</u>	<u>186,313</u>	<u>196,597</u>	<u>161,169</u>
Total general revenues	<u>338,662</u>	<u>188,811</u>	<u>527,473</u>	<u>471,380</u>
Total revenues	<u>\$ 451,158</u>	<u>\$ 335,687</u>	<u>\$ 786,845</u>	<u>\$ 670,072</u>

Summary of Riga Township, Lenawee County Michigan's Change in Net Assets
(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Program expenses:				
Governmental activities:				
General government	\$ 178,707	\$	\$ 178,707	\$ 179,509
Public safety	113,258		113,258	113,763
Highways and streets	50,179		50,179	115,812
Parks and recreation	4,886		4,886	3,692
Other	44,827		44,827	49,468
Business-type activities:				
Water		108,567	108,567	121,098
Sewer		144,651	144,651	146,561
Total expenses	<u>\$ 391,857</u>	<u>\$ 253,218</u>	<u>\$ 645,075</u>	<u>\$ 729,903</u>
Excess (deficiency) before transfers	\$ 59,301	\$ 82,469	\$ 141,770	\$ (59,831)
Transfers	<u>22,000</u>	<u>(22,000)</u>		
Change in net assets	81,301	60,469	141,770	(59,831)
Adjustment to retained earnings		135	135	
Net assets – beginning of year	<u>1,311,372</u>	<u>1,833,156</u>	<u>3,144,528</u>	<u>3,204,359</u>
Net assets – end of year	<u>\$ 1,392,673</u>	<u>\$ 1,893,760</u>	<u>\$ 3,286,433</u>	<u>\$ 3,144,528</u>

A portion of Riga Township, Lenawee County, Michigan's net assets 12 percent and 9 percent at March 31, 2006 and 2005, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$313,419 and \$261,716 at March 31, 2006 and 2005, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Riga Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, Riga Township, Lenawee County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Riga Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Riga Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Riga Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$565,258, an increase of \$101,781 in comparison with the prior year. Special Revenue Funds have \$295,429 available for their special uses.

The general fund is the chief operating fund of Riga Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$269,829.

The fund balance of Riga Township, Lenawee County, Michigan's general fund increased by \$8,601 during the current fiscal year. A key factor in this increase was fund transfers from the Water Fund (\$8,000) and from the Sewer Fund (\$14,000).

Proprietary Fund - Riga Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds at the end of the year amounted to \$43,590.

General Fund Budgetary Highlights

The differences in the original budget and amended budget for the Riga Township General Fund may be described as follows:

The Building and Grounds budget was increased by \$29,000 due to some higher than expected expenses in the area of maintenance and higher fuel costs. In addition, a lot located adjacent to the township hall was put up for sale. The township decided to purchase the land for future expansion of the township offices and fire department.

The Bulk Water budget was increased from \$17,000 to \$26,500 because of higher than anticipated usage of the water.

Water and Sewer Expense was decreased from \$60,000 to \$25,500, because the construction project that we expected to complete this year was not done. We planned to replace fittings on our water system, because of leaks. With the help of our attorney, we reached a settlement with the contractor and engineer for the system, and we chose to continue to repair any leaks as we find them. The excess was transferred to Building and Grounds to purchase the land and to Bulk Water which had greater usage than expected.

The final budget called for a change in fund balance of \$91,500 but actual expenditures only decreased the fund balance by \$12,383.

Capital Asset and Debt Administration

Capital assets. Riga Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2006 and 2005, amounts to \$4,172,352 and \$4,231,535, respectively, (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, and fire vehicles and equipment. The total decrease in Riga Township, Lenawee County, Michigan's investment in capital assets for the current fiscal year was (\$59,183).

Major capital purchases during the current fiscal year were a parcel of land (\$26,300) and air tanks for the Fire Department (\$5,509).

Riga Township, Lenawee County, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Land	\$ 46,215	\$	\$ 46,215	\$ 19,915
Land improvements	358,891		358,891	358,891
Buildings	222,554		222,554	222,554
Machinery and equipment	82,381		82,381	82,381
Fire vehicles and equipment	672,224		672,224	666,715
Water and sewer systems		3,557,780	3,557,780	3,557,780
Total capital assets	<u>\$ 1,382,265</u>	<u>3,557,780</u>	<u>\$ 4,940,045</u>	<u>\$ 4,908,236</u>
Less: Accumulated depreciation	<u>554,850</u>	<u>212,843</u>	<u>767,693</u>	<u>676,701</u>
Capital assets, net of accumulated depreciation	<u>\$ 827,415</u>	<u>\$ 3,344,937</u>	<u>\$ 4,172,352</u>	<u>\$ 4,231,535</u>

Additional information on Riga Township's capital assets can be found in Note 4 on pages 28 and 29.

Long-term debt. At the end of the current fiscal year, Riga Township, Lenawee County, Michigan had total bonded debt outstanding of \$1,599,865. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Riga Township, Lenawee County, Michigan's Outstanding Debt Revenue Bonds

	<u>Business-type Activities</u>
Revenue Bonds	<u>\$ 1,599,865</u>

Additional information on Riga Township, Lenawee County, Michigan's long-term debt can be found in Note 6, on pages 30 – 31 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2006-2007 budgets that were adopted for Riga Township are based upon last year's budget with small anticipated changes. In the General Fund, we expect little or no change in revenue. The State will possibly be giving us a very small increase in revenue sharing. The tax revenue will only have a small increase. There will probably be some increase in interest, but that is a small portion of our revenue.

We will be working to amend our Cemetery Ordinance and Zoning Ordinance this year. Both need to be updated to comply with State Law and policy. There will be some increased expenses with these amendments. We may see some increase in fees from selling graves at the cemetery this year. It is difficult to anticipate how much this will be.

The township has been given a computer program for our cemetery records. We will be hiring an office assistant to input information into the program. This will result in a one time increase in costs for cemetery employees.

Our expenditures for the General Fund are expected to also remain steady. We do not have any big projects planned for this year. We will maintain what we have, and begin to plan for the future with our office and fire department expansion. We do not expect to complete any projects requiring significant financial investments this year. We will be holding elections and maintaining present services.

We are planning to continue to increase our fund balance in the Road Improvement Fund. We need to save money for some major reconstruction projects on Mulberry Rd. and Silberhorn Hwy. Due to the increased cost for building roads, and the fact that MGP is building an ethanol plant in our township, we are putting a \$4,000,000 bond proposal on the ballot for road repairs and maintenance. If this proposal passes, we will rebuild several roads in the next five years. This would be very helpful to our township, since the ethanol plant is located in an Agricultural Renaissance Zone that does pay taxes on bond issues. In our case, they would be paying close to 50% of the cost of the bond. If this does not pass, we will have to continue to save money until we can complete one rebuilding project at a time. We will not be able to keep up with the required maintenance of our roads.

We expect our budget for the Fire Department Operating Fund to remain fairly steady with small increases in the fund balance. We know that within the next few years we will need to replace our ambulance. We also need more space for the department, and will be working to design, finance and build a new fire station. At that time, any reserves that have accumulated in the fund will be able to be used to complete the project including furnishings and updates.

The Building Department Fund will have increased revenues and expenses, due to the construction of the ethanol plant. It is expected that most of the increased revenue will be used to pay increased expenses for the inspecting. We also expect to hire a new building inspector this year. This should not have an effect on the budget, however.

The Liquor Law Enforcement budget will remain identical to that of the past year.

The budgets for Water and Sewer reflect current rates and usage with the exception of our anticipation of the ethanol plant starting production in January, 2007. This plant will be a significant water user. We have included this in our budget, based upon preliminary estimates. When the plant begins to operate, the township expects to earn a profit from the water that we sell to them. In the future, we will be able to use the excess money to pay off bonds. We do not expect any increases in rates, unless Village of Blissfield increases their rates to us. We will continue to monitor our water recovery rate, so that we can repair any new leaks that develop.

Requests for Information

This financial report is designed to provide a general overview of Riga Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Riga Township, Box 25, Riga, Michigan 49276.

April 20, 2006

INDEPENDENT AUDITORS' REPORT

Riga Township
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Riga Township, Lenawee County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2006 on our consideration of Riga Township, Lenawee County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

April 20, 2006

Riga Township
Lenawee County, Michigan

The management's discussion and analysis on pages i through viii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riga Township, Lenawee County, Michigan's basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

April 20, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Riga Township
Lenawee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Riga Township, Lenawee County Michigan's basic financial statements and have issued our report thereon dated April 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Riga Township, Lenawee County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

April 20, 2006

Riga Township
Lenawee County, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Riga Township, Lenawee County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Riga Township, Lenawee County, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

**March 31, 2006
With Comparative Totals for March 31, 2005**

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	2006	Total 2005
ASSETS:				
Current assets:				
Cash	\$ 219,729	\$ 52,145	\$ 271,874	\$ 473,395
Investments	350,000		350,000	
Taxes receivable	7,309		7,309	6,222
Accounts receivable	<u>1,167</u>	<u>10,829</u>	<u>11,996</u>	<u>10,939</u>
Total current assets	<u>578,205</u>	<u>62,974</u>	<u>641,179</u>	<u>490,556</u>
Noncurrent assets:				
Cash – bond and interest redemption		32,598	32,598	33,028
Investments – bond and interest redemption		2,900	2,900	58,000
Investments – bond reserve		69,600	69,600	
Capital assets:				
Land	46,215		46,215	19,915
Land improvements	358,891		358,891	358,891
Buildings and improvements	222,554		222,554	222,554
Machinery and equipment	82,381		82,381	82,381
Fire vehicles and equipment	672,224		672,224	666,715
Water system		1,346,107	1,346,107	1,346,107
Equipment		10,000	10,000	10,000
Sewer system		2,008,873	2,008,873	2,008,873
Pump stations		192,800	192,800	192,800
Accumulated depreciation	<u>(554,850)</u>	<u>(212,843)</u>	<u>(767,693)</u>	<u>(676,701)</u>
Total noncurrent assets	<u>827,415</u>	<u>3,450,035</u>	<u>4,277,450</u>	<u>4,322,563</u>
Total assets	<u>\$ 1,405,620</u>	<u>\$ 3,513,009</u>	<u>\$ 4,918,629</u>	<u>\$ 4,813,119</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 6,143	\$ 384	\$ 6,527	\$ 7,454
Payroll liabilities	1,804		1,804	1,520
Interest payable		19,000	19,000	17,617
Unearned revenue	5,000		5,000	
Current portion of bonds payable	<u></u>	<u>24,000</u>	<u>24,000</u>	<u>22,000</u>
Total current liabilities	12,947	43,384	56,331	48,591
Noncurrent liabilities:				
Noncurrent portion of bonds payable	<u></u>	<u>1,575,865</u>	<u>1,575,865</u>	<u>1,620,000</u>
Total liabilities	<u>12,947</u>	<u>1,619,249</u>	<u>1,632,196</u>	<u>1,668,591</u>
NET ASSETS:				
Invested in capital assets, net of related debt	827,415	1,745,072	2,572,487	2,589,535
Restricted for:				
Fire operations	95,249		95,249	89,202
Road maintenance	181,574		181,574	109,890
Building Department	18,606		18,606	3,157
Debt service		105,098	105,098	91,028
Unrestricted	<u>269,829</u>	<u>43,590</u>	<u>313,419</u>	<u>261,716</u>
Total net assets	<u>\$ 1,392,673</u>	<u>\$ 1,893,760</u>	<u>\$ 3,286,433</u>	<u>\$ 3,144,528</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

**For the Year Ended March 31, 2006
With Comparative Totals for the Year Ended March 31, 2005**

<u>Program Revenues</u>				
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 178,707	\$ 80,922	\$	\$
Public safety	113,258	31,574		
Highways and streets	50,179			
Parks and recreation	4,886			
Other	<u>44,827</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>391,857</u>	<u>112,496</u>	<u>-</u>	<u>-</u>
Business-Type activities:				
Water	108,567	74,317		
Sewer	<u>144,651</u>	<u>72,559</u>	<u> </u>	<u> </u>
Total business-type activities	<u>253,218</u>	<u>146,876</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 645,075</u>	<u>\$ 259,372</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Property taxes				
State revenues				
Investment earnings				
Other				
Total general revenues				
Excess before transfers				
Transfers				
Change in net assets				
Adjustment to retained earnings				
Net assets – beginning of year				
Net assets – end of year				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2006</u>	<u>Total 2005</u>
\$ (97,785)	\$	\$ (97,785)	\$ (140,215)
(81,684)		(81,684)	(83,358)
(50,179)		(50,179)	(115,812)
(4,886)		(4,886)	(3,692)
<u>(44,827)</u>		<u>(44,827)</u>	<u>(49,468)</u>
<u>(279,361)</u>	<u>-</u>	<u>(279,361)</u>	<u>(392,545)</u>
	(34,250)	(34,250)	(52,009)
	<u>(72,092)</u>	<u>(72,092)</u>	<u>(86,657)</u>
<u>-</u>	<u>(106,342)</u>	<u>(106,342)</u>	<u>(138,666)</u>
<u>\$ (279,361)</u>	<u>\$ (106,342)</u>	<u>\$ (385,703)</u>	<u>\$ (531,211)</u>
\$ 219,825	\$	\$ 219,825	\$ 203,593
98,530		98,530	99,023
10,023	2,498	12,521	7,595
<u>10,284</u>	<u>186,313</u>	<u>196,597</u>	<u>161,169</u>
<u>338,662</u>	<u>188,811</u>	<u>527,473</u>	<u>471,380</u>
59,301	82,469	141,770	(59,831)
<u>22,000</u>	<u>(22,000)</u>		
81,301	60,469	141,770	(59,831)
	135	135	
<u>1,311,372</u>	<u>1,833,156</u>	<u>3,144,528</u>	<u>3,204,359</u>
<u>\$ 1,392,673</u>	<u>\$ 1,893,760</u>	<u>\$ 3,286,433</u>	<u>\$ 3,144,528</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
BALANCE SHEET**

GOVERNMENTAL FUNDS

**March 31, 2006
With Comparative Totals for March 31, 2005**

<u>ASSETS</u>	<u>Total Governmental Funds</u>			
	<u>General</u>	<u>Fire Operating</u>	<u>Road Improvement</u>	<u>Nonmajor Funds</u>
Cash	\$ 296,180	\$ 94,219	\$ 177,753	\$ 1,577
Taxes receivable	1,621	1,867	3,821	
Accounts receivable	1,167			23,048
Due from other funds				
Total assets	<u>\$ 298,968</u>	<u>\$ 96,086</u>	<u>\$ 181,574</u>	<u>\$ 24,625</u>
				<u>\$ 497,758</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 4,287	\$ 837	\$	\$ 6,143
Payroll liabilities	1,804			1,804
Due to other funds	23,048			23,048
Unearned revenue				5,000
Total liabilities	<u>29,139</u>	<u>837</u>	<u>-</u>	<u>35,995</u>
				<u>34,281</u>
 Fund Balances:				
Unreserved, reported in:				
General Fund	269,829	95,249	181,574	18,606
Special Revenue Funds				
Total fund balances	<u>269,829</u>	<u>95,249</u>	<u>181,574</u>	<u>18,606</u>
				<u>463,477</u>
Total liabilities and fund balances	<u>\$ 298,968</u>	<u>\$ 96,086</u>	<u>\$ 181,574</u>	<u>\$ 24,625</u>
				<u>\$ 497,758</u>

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATIONS OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Total governmental fund balances	\$ 565,258	\$ 463,477
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital asset is	1,382,265	1,350,456
The accumulated depreciation is	<u>(554,850)</u>	<u>(502,561)</u>
Net assets of governmental activities	<u><u>\$ 1,392,673</u></u>	<u><u>\$ 1,311,372</u></u>

The notes to the financial statements are an integral part of this statement.

RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

For the Year Ended March 31, 2006
With Comparative Totals for the Year ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Road Improvement</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u> <u>2006</u>	<u>2005</u>
Revenues:						
Property taxes	\$ 48,762	\$ 56,160	\$ 114,903	\$	\$ 219,825	\$ 203,593
State shared revenues	98,530				98,530	99,023
Charges for services:						
Cemetery	10,200				10,200	4,055
Ambulance and fire		31,574			31,574	30,405
Permit fees				36,063	36,063	18,045
Bulk water	27,962				27,962	17,194
Hall rental	6,697				6,697	
Interest	5,227	2,267	2,529		10,023	5,889
Miscellaneous	5,069		4,431	784	10,284	14,028
Total revenues	<u>202,447</u>	<u>90,001</u>	<u>121,863</u>	<u>36,847</u>	<u>451,158</u>	<u>392,232</u>
Expenditures:						
Current:						
General government:						
Administration	102,668				102,668	114,011
Building and grounds	19,913				19,913	15,295
Inspections				20,614	20,614	10,126
Cemetery	17,176				17,176	21,591
Capital outlay	26,300	5,509			31,809	10,515
Public safety:						
Liquor law enforcement				1,800	1,800	1,800
Fire protection		78,445			78,445	76,726
Public works:			50,179		50,179	115,812
Highways and streets						
Parks and recreation:						
Park	3,946				3,946	2,749
Other:						
Bulk water	26,625				26,625	17,924
Water and sewer expense	806				806	6,435
Miscellaneous	17,396				17,396	25,109
Total expenditures	<u>214,830</u>	<u>83,954</u>	<u>50,179</u>	<u>22,414</u>	<u>371,377</u>	<u>418,093</u>

	<u>General</u>	<u>Fire Operating</u>	<u>Road Improvement</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds 2006</u>	<u>2005</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (12,383)	\$ 6,047	\$ 71,684	\$ 14,433	\$ 79,781	\$ (25,861)
Other financing sources (uses):						
Transfers in	22,000			1,016	23,016	12,016
Transfers out	(1,016)				(1,016)	(34,016)
Total other financing sources (uses)	20,984	-	-	1,016	22,000	(22,000)
Net change in fund balances	8,601	6,047	71,684	15,449	101,781	(47,861)
Fund balances – beginning of year	261,228	89,202	109,890	3,157	463,477	511,338
Fund balances – end of year	\$ 269,829	\$ 95,249	\$ 181,574	\$ 18,606	\$ 565,258	\$ 463,477

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Years Ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<i>Net change in fund balances – total governmental funds</i>	\$ 101,781	\$ (47,861)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	(52,289)	(54,666)
Capital outlay	<u>31,809</u>	<u>10,515</u>
Change in net assets in governmental activities	<u>\$ 81,301</u>	<u>\$ (92,012)</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 39,000	\$ 39,000	\$ 48,762	\$ 9,762
State share revenues	100,000	100,000	98,530	(1,470)
Charges for services:				
Cemetery	10,000	10,000	10,200	200
Bulk water	17,000	17,000	27,962	10,962
Other	5,000	5,000	6,697	1,697
Interest	4,000	4,000	5,227	1,227
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>5,069</u>	<u>1,069</u>
Total revenues	<u>179,000</u>	<u>179,000</u>	<u>202,447</u>	<u>23,447</u>
Expenditures:				
General Government				
Administration	115,000	115,000	102,668	12,332
Building and grounds	19,000	48,000	46,213	1,787
Cemetery	27,000	27,000	17,176	9,824
Parks and recreation:				
Park	5,500	5,500	3,946	1,554
Other:				
Bulk water	17,000	26,500	26,625	(125)
Water and sewer expense	60,000	25,500	806	24,694
Miscellaneous	<u>23,000</u>	<u>23,000</u>	<u>17,396</u>	<u>5,604</u>
Total expenditures	<u>266,500</u>	<u>270,500</u>	<u>214,830</u>	<u>55,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,500)</u>	<u>(91,500)</u>	<u>(12,383)</u>	<u>79,117</u>
Other financing sources (uses):				
Transfers in			22,000	22,000
Transfers out	<u>(21,500)</u>	<u>(21,500)</u>	<u>(1,016)</u>	<u>20,484</u>
Total other financing sources (uses)	<u>(21,500)</u>	<u>(21,500)</u>	<u>20,984</u>	<u>42,484</u>
Net change in fund balance	(109,000)	(113,000)	8,601	121,601
Fund balance – beginning of year			<u>261,228</u>	
Fund balance – end of year			<u>\$ 269,829</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

FIRE OPERATING FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 56,000	\$ 56,000	\$ 56,160	\$ 160
Charges for services:				
Ambulance and fire	32,000	32,000	31,574	(426)
Interest	<u>500</u>	<u>500</u>	<u>2,267</u>	<u>1,767</u>
Total revenues	<u>88,500</u>	<u>88,500</u>	<u>90,001</u>	<u>1,501</u>
Expenditures:				
Public safety:				
Fire protection	<u>115,000</u>	<u>115,000</u>	<u>83,954</u>	<u>31,046</u>
Total expenditures	<u>115,000</u>	<u>115,000</u>	<u>83,954</u>	<u>31,046</u>
Net change in fund balance	(26,500)	(26,500)	6,047	32,547
Fund balance – beginning of year			<u>89,202</u>	
Fund balance – end of year			<u>\$ 95,249</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

ROAD IMPROVEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 112,000	\$ 112,000	\$ 114,903	\$ 2,903
Interest	300	300	2,529	2,229
Miscellaneous			4,431	4,431
Total revenues	<u>112,300</u>	<u>112,300</u>	<u>121,863</u>	<u>9,563</u>
Expenditures:				
Public works:				
Highways and streets	120,000	120,000	50,179	69,821
Other:				
Miscellaneous	<u>100</u>	<u>100</u>		<u>100</u>
Total expenditures	<u>120,100</u>	<u>120,100</u>	<u>50,179</u>	<u>69,921</u>
Excess (deficiency) of revenues over (under) expenditures	(7,800)	(7,800)	71,684	79,484
Other financing sources:				
Transfers in	<u>20,000</u>	<u>20,000</u>		<u>(20,000)</u>
Net change in fund balance	12,200	12,200	71,684	59,484
Fund balance – beginning of year			<u>109,890</u>	
Fund balance – end of year			<u>\$ 181,574</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

**March 31, 2006
With Comparative Totals for March 31, 2005**

	Business-Type Activities – Enterprise Funds		Total Proprietary Funds	
	<u>Water</u>	<u>Sewer</u>	<u>2006</u>	<u>2005</u>
ASSETS:				
Current assets:				
Cash	\$ 26,850	\$ 25,295	\$ 52,145	\$ 26,275
Accounts receivable	4,968	5,861	10,829	10,356
Due from other funds				26,550
Total current assets	<u>31,818</u>	<u>31,156</u>	<u>62,974</u>	<u>63,181</u>
Restricted assets:				
Cash – bond and interest redemption	11,857	20,741	32,598	33,028
Investments – bond and interest redemption	1,100	1,800	2,900	
Investments – bond reserve	<u>26,400</u>	<u>43,200</u>	<u>69,600</u>	<u>58,000</u>
Total restricted assets	<u>39,357</u>	<u>65,741</u>	<u>105,098</u>	<u>91,028</u>
Capital assets:				
Water system	1,346,107		1,346,107	1,346,107
Equipment	10,000		10,000	10,000
Sewer system		2,008,873	2,008,873	2,008,873
Pump stations		192,800	192,800	192,800
Accumulated depreciation	<u>(75,858)</u>	<u>(136,985)</u>	<u>(212,843)</u>	<u>(174,140)</u>
Total capital assets	<u>1,280,249</u>	<u>2,064,688</u>	<u>3,344,937</u>	<u>3,383,640</u>
Total assets	<u>\$ 1,351,424</u>	<u>\$ 2,161,585</u>	<u>\$ 3,513,009</u>	<u>\$ 3,537,849</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 384	\$	\$ 384	\$
Interest payable	6,911	12,089	19,000	17,617
Due to other funds				45,076
Current portion of bonds payable	<u>8,000</u>	<u>16,000</u>	<u>24,000</u>	<u>22,000</u>
Total current liabilities	15,295	28,089	43,384	84,693
Long-term liabilities:				
Noncurrent portion of bonds payable	<u>577,865</u>	<u>998,000</u>	<u>1,575,865</u>	<u>1,620,000</u>
Total liabilities	<u>593,160</u>	<u>1,026,089</u>	<u>1,619,249</u>	<u>1,704,693</u>
NET ASSETS:				
Invested in capital assets, net of related debt	694,384	1,050,688	1,745,072	1,741,640
Restricted for:				
Debt service	39,357	65,741	105,098	91,028
Unrestricted	<u>24,523</u>	<u>19,067</u>	<u>43,590</u>	<u>488</u>
Total net assets	<u>\$ 758,264</u>	<u>\$ 1,135,496</u>	<u>\$ 1,893,760</u>	<u>\$ 1,833,156</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

**For the Year Ended March 31, 2006
With Comparative Totals for the Year Ended March 31, 2005**

	Business-Type Activities – Enterprise Funds		Total Proprietary Funds	
	<u>Water</u>	<u>Sewer</u>	<u>2006</u>	<u>2005</u>
Operating revenues:				
Water usage	\$ 74,317	\$	\$ 74,317	\$ 69,089
Sewer usage fee		<u>72,559</u>	<u>72,559</u>	<u>59,904</u>
Total operating revenues	<u>74,317</u>	<u>72,559</u>	<u>146,876</u>	<u>128,993</u>
Operating expenses:				
Labor – Drain Commission	6,347	4,112	10,459	15,217
Administrative fee	3,491	3,000	6,491	6,442
Water treatment and testing	780	3,960	4,740	1,704
Materials and supplies	51	37	88	332
Legal and accounting fees		906	906	1,025
Equipment maintenance	95	51	146	6,416
Utilities	90	1,449	1,539	1,367
Insurance	270	270	540	544
Miscellaneous	403	951	1,354	797
Depreciation	13,794	24,909	38,703	38,703
Usage charges	54,915	51,255	106,170	111,063
Communications	198	1,919	2,117	1,814
Travel	<u>774</u>	<u>817</u>	<u>1,591</u>	<u>2,014</u>
Total operating expenses	<u>81,208</u>	<u>93,636</u>	<u>174,844</u>	<u>187,438</u>
Operating loss	(6,891)	(21,077)	(27,968)	(58,445)
Nonoperating revenues (expenses):				
Interest income	727	1,771	2,498	1,706
Hook-up fees	35,046	52,466	87,512	85,539
Debt revenue	24,526	37,065	61,591	61,602
Other revenue	14,168	23,042	37,210	
Interest expense	<u>(27,359)</u>	<u>(51,015)</u>	<u>(78,374)</u>	<u>(80,221)</u>
Net income	40,217	42,252	82,469	10,181
Transfers out	<u>(8,000)</u>	<u>(14,000)</u>	<u>(22,000)</u>	<u>22,000</u>
Net income after transfers	32,217	28,252	60,469	32,181
Adjustment to retained earnings	(3,865)	4,000	135	(17,617)
Net assets – beginning of year	<u>729,912</u>	<u>1,103,244</u>	<u>1,833,156</u>	<u>1,818,592</u>
Net assets – end of year	<u>\$ 758,264</u>	<u>\$ 1,135,496</u>	<u>\$ 1,893,760</u>	<u>\$ 1,833,156</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

**For the Year Ended March 31, 2006
With Comparative Totals for the Year Ended March 31, 2005**

INCREASE IN CASH AND CASH EQUIVALENTS

	Business-Type Activities – Enterprise Funds		Total Proprietary Funds	
	<u>Water</u>	<u>Sewer</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:				
Cash received from customers	\$ 86,693	\$ 86,260	\$ 172,953	\$ 126,157
Cash paid to suppliers and employees	<u>(86,724)</u>	<u>(94,109)</u>	<u>(180,833)</u>	<u>(127,735)</u>
Net cash used in operating activities	<u>(31)</u>	<u>(7,849)</u>	<u>(7,880)</u>	<u>(1,578)</u>
Cash flows from non-capital financing activities:				
Other revenue	14,168	23,042	37,210	
Transfers out	<u>(8,000)</u>	<u>(14,000)</u>	<u>(22,000)</u>	
Net cash provided by non-capital financing activities	<u>6,168</u>	<u>9,042</u>	<u>15,210</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Debt revenue	24,526	37,065	61,591	61,602
Hook-up fees	35,046	52,466	87,512	85,539
Repayment of principal	(16,000)	(26,000)	(42,000)	(60,000)
Interest payments	<u>(28,209)</u>	<u>(48,782)</u>	<u>(76,991)</u>	<u>(80,221)</u>
Net cash provided by capital and related financing activities	<u>15,363</u>	<u>14,749</u>	<u>30,112</u>	<u>6,920</u>
Cash flows from investing activities:				
Invested in certificates of deposit	(27,500)	(45,000)	(72,500)	
Interest income	<u>727</u>	<u>1,771</u>	<u>2,498</u>	<u>1,706</u>
Net cash provided by (used in) investing activities	<u>(26,773)</u>	<u>(43,229)</u>	<u>(70,002)</u>	<u>1,706</u>
Net increase in cash and cash equivalents	(5,273)	(27,287)	(32,560)	7,048
Cash and cash equivalents – beginning of year	<u>43,980</u>	<u>73,323</u>	<u>117,303</u>	<u>110,255</u>
Cash and cash equivalents – end of year	<u>\$ 38,707</u>	<u>\$ 46,036</u>	<u>\$ 84,743</u>	<u>\$ 117,303</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

**For the Year Ended March 31, 2006
With Comparative Totals for the Year Ended March 31, 2005**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

	Business-Type Activities – Enterprise Funds		Total Proprietary Funds	
	<u>Water</u>	<u>Sewer</u>	<u>2006</u>	<u>2005</u>
Net operating loss	\$ (6,891)	\$ (21,077)	\$ (27,968)	\$ (58,445)
Adjustments to reconcile net operating loss to net cash used in operating activities:				
Depreciation expense	13,794	24,909	38,703	38,703
(Increase) decrease in:				
Accounts receivable	(174)	(299)	(473)	(1,586)
Due from other funds	12,550	14,000	26,550	(1,250)
Increase (decrease) in:				
Accounts payable and other liabilities	384		384	(250)
Due to other funds	<u>(19,694)</u>	<u>(25,382)</u>	<u>(45,076)</u>	<u>21,250</u>
Net cash used in operating activities	<u>\$ (31)</u>	<u>\$ (7,849)</u>	<u>\$ (7,880)</u>	<u>\$ (1,578)</u>

The notes to the financial statements are an integral part of this statement.

RIGA TOWNSHIP
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006 and 2005

	<u>Agency Fund</u>	
<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 1,167	\$ 583
Total assets	<u>\$ 1,167</u>	<u>\$ 583</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 1,167	\$ 583
Total liabilities	<u>\$ 1,167</u>	<u>\$ 583</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Riga Township, Lenawee County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 31, 2004, Riga Township, Lenawee County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ♦ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ♦ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ♦ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Riga Township has elected to implement the general provisions of the statement.

A. Reporting Entity

The Township of Riga is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Riga Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Fire Operating Fund* accounts for financial resources of the Township's Fire Department.

The *Road Improvement Fund* accounts for the maintenance of the roads within the limits of the Township.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Township's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the government reports the following fund types:

The *Special Revenue Funds* (Liquor Law Enforcement and Building Department) are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for particular purposes.

The *Fiduciary Fund (Tax Collection Fund)* is a trust and agency fund used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (water and sewer funds), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2006.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Properties are assessed as of December 31 and the tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2005 are revenues in the Township's fiscal year ended March 31, 2006.

The Township had a general tax millage of .8485 for 2005. The Township's maximum allowable millage is 1.0 mills. The Township had a road improvement millage of 1.9992 and a fire department millage of .9771 for 2005.

A lien on the property occurs when the taxes are levied. The taxes levied July 1 are payable by August 31 without penalty. The taxes levied December 1 are payable by February 14 without penalty.

Since the County through revolving funds obtains the delinquent real property taxes for the Township, the sixty (60) day rule does not apply to such delinquent taxes receivable.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the water and sewer fund revenue bonds and general obligations bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond interest and redemption account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to make debt service payment on bonds which would otherwise be in default.

5. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	30
Buildings	50
Machinery and equipment	10
Furniture	20
Fire vehicles	20
Fire equipment	10
Water system	100
Water equipment	30
Sewer system	100
Sewer pump stations	40

6. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for Building Department represents the portion of fund balance segregated for the specific use of the Building Department Fund in future years.

The government-wide statement of net assets reports \$400,527 of restricted net assets of which \$200,180 is restricted by enabling legislation.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Riga Township did not incur expenditures in excess of the amount appropriated in any of their funds. One expenditure function in the General Fund budget exceeded the amount budgeted.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2006, \$276,145 of the Township's bank balance of \$310,796 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 276,145</u>
--------------------------------	-------------------

Investments

A summary of investments follows:

<u>Fund</u>	<u>Investment</u>	<u>Institution</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity Date</u>
General	Certificate of Deposit	Bank of Lenawee	4.76%	\$ 100,000	06/22/2006
General	Certificate of Deposit	Key Bank	4.58%	100,000	09/20/2006
Road Improvement	Certificate of Deposit	LaSalle Bank Midwest, N.A.	4.75%	100,000	08/26/2006
Fire Operating	Certificate of Deposit	United Bank & Trust	4.33%	50,000	12/27/2006
Water	Certificate of Deposit	United Bank & Trust	4.19%	27,500	11/23/2006
Sewer	Certificate of Deposit	United Bank & Trust	4.19%	<u>45,000</u>	11/23/2006
				<u>\$ 422,500</u>	

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township limits exposure to interest rate risk by having investments at short-term maturities. (See Table of Investments).

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of investment of collateral securities that are in possession of an outside party. As of March 31, 2006, \$22,500 of the Township's investments of \$422,500 is uninsured and uncollateralized.

Concentration of credit risk is the risk of loss attributed to the magnitude of a Government's investment in a single issuer. As of March 31, 2006, Riga Township held 29% of its investments with United Bank & Trust, 23.7% with Bank of Lenawee, 23.7% with Key Bank, and 23.6% with LaSalle Bank Midwest, N.A.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 is as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Governmental activities:				
Assets, not being depreciated – land	\$ 19,915	\$ 26,300	\$ -	\$ 46,215
Land improvements	358,891			358,891
Buildings and improvements	222,554			222,554
Machinery and equipment	82,381			82,381
Fire vehicles and equipment	<u>666,715</u>	<u>5,509</u>		<u>672,224</u>
Total depreciable capital assets	<u>1,330,541</u>	<u>5,509</u>	<u>-</u>	<u>1,336,050</u>
Less: Accumulated depreciation for:				
Land improvements	75,689	11,730		87,419
Buildings and improvements	86,530	4,451		90,981
Machinery and equipment	59,841	3,095		62,936
Fire vehicles and equipment	<u>280,501</u>	<u>33,013</u>		<u>313,514</u>
Total accumulated depreciation	<u>502,561</u>	<u>52,289</u>	<u>-</u>	<u>554,850</u>
Net depreciable capital assets	<u>827,980</u>	<u>(46,780)</u>	<u>-</u>	<u>781,200</u>
Governmental activities net capital assets	<u>\$ 847,895</u>	<u>\$ (20,480)</u>	<u>\$ -</u>	<u>\$ 827,415</u>

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Business-type activities:				
Water system	\$ 1,346,107	\$	\$	\$ 1,346,107
Equipment	10,000			10,000
Sewer system	2,008,873			2,008,873
Pump stations	<u>192,800</u>			<u>192,800</u>
Total depreciable capital assets	<u>3,557,780</u>	<u>-</u>	<u>-</u>	<u>3,557,780</u>
Less: Accumulated depreciation for:				
Water system	60,564	13,461		74,025
Water equipment	1,500	333		1,833
Sewer system	90,386	20,089		110,475
Pump stations	<u>21,690</u>	<u>4,820</u>		<u>26,510</u>
Total accumulated depreciation	<u>174,140</u>	<u>38,703</u>	<u>-</u>	<u>212,843</u>
Business-type activities net capital assets	<u>\$ 3,383,640</u>	<u>\$ (38,703)</u>	<u>\$ -</u>	<u>\$ 3,344,937</u>

Depreciation expense charged to functions is as follows:

Governmental activities:

General government	\$ 18,336
Public safety	33,013
Park and recreation	<u>940</u>

Total depreciation expense -
governmental activities

\$ 52,289

Business-type activities:

Water Fund	\$ 13,794
Sewer Fund	<u>24,909</u>

Total depreciation expense -
business-type activities

\$ 38,703

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Interfund balances – Due to/from other funds

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at March 31, 2006 are expected to be repaid within the next fiscal year.

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
Nonmajor	<u>\$ 23,048</u>	General	<u>\$ 23,048</u>

Interfund transfers:

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 22,000	\$ 1,016
Nonmajor	1,016	
Water		8,000
Sewer		<u>14,000</u>
	<u>\$ 23,016</u>	<u>\$ 23,016</u>

NOTE 6. REVENUE BONDS

Business-type activities

At March 31, 2006, the Bond and Interest Redemption Account had a balance of \$12,957 and the Bond Reserve Account had a balance of \$26,400 in the Water Fund. As of March 31, 2006, the Township had an outstanding bond payable of \$585,865, which is recorded as a liability in the Water Fund.

At March 31, 2006, the Bond and Interest Redemption Account had a balance of \$22,541 and the Bond Reserve Account had a balance of \$43,200 in the Sewer Fund. As of March 31, 2006, the Township had an outstanding bond payable of \$1,014,000, which is recorded as a liability in the Sewer Fund.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006**

NOTE 6. REVENUE BONDS (Continued)

The schedule of long term liability activity is as follows:

	<u>Water Fund Revenue Bond Series 1999 A</u>	<u>Sewer Fund Revenue Bond Series 1999 A</u>	<u>Sewer Fund Revenue Bond Series 1999 B</u>	<u>Total</u>
Balance, April 1, 2005	\$ 598,000	\$ 687,000	\$ 357,000	\$ 1,642,000
Increases	3,865	(4,000)		(135)
Decreases	<u>(16,000)</u>	<u>(14,000)</u>	<u>(12,000)</u>	<u>(42,000)</u>
Balance, March 31, 2006	585,865	669,000	345,000	1,599,865
Less: Current portion	<u>(8,000)</u>	<u>(11,000)</u>	<u>(5,000)</u>	<u>(24,000)</u>
Total due after one year	<u>\$ 577,865</u>	<u>\$ 658,000</u>	<u>\$ 340,000</u>	<u>\$ 1,575,865</u>

Debt service requirements at March 31, 2006 are as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 24,000	\$ 86,593	\$ 110,593
2008	24,000	85,501	109,501
2009	26,000	84,362	110,362
2010	26,000	83,174	109,174
2011	29,000	81,938	110,938
2012 – 2016	164,000	388,575	552,575
2017 – 2021	207,000	346,709	553,709
2022 – 2026	259,000	294,199	553,199
2027 – 2031	332,000	227,576	559,576
2032 – 2036	418,000	142,859	560,859
2037 – 2040	<u>90,865</u>	<u>38,644</u>	<u>129,509</u>
	<u>\$ 1,599,865</u>	<u>\$ 1,860,130</u>	<u>\$ 3,459,995</u>

RIGA TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2006
With Comparative Totals for March 31, 2005

<u>ASSETS</u>	<u>Liquor Law Enforcement</u>	<u>Building Department</u>	<u>2006</u>	Totals <u>2005</u>
Cash	\$	\$ 1,577	\$ 1,577	\$
Due from other funds	<u>150</u>	<u>22,898</u>	<u>23,048</u>	<u>3,307</u>
Total assets	<u>\$ 150</u>	<u>\$ 24,475</u>	<u>\$ 24,625</u>	<u>\$ 3,307</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 150	\$ 869	\$ 1,019	\$ 150
Unearned revenue	<u> </u>	<u>5,000</u>	<u>5,000</u>	<u> </u>
Total liabilities	<u>150</u>	<u>5,869</u>	<u>6,019</u>	<u>150</u>
FUND BALANCES:				
Unreserved	<u>-</u>	<u>18,606</u>	<u>18,606</u>	<u>3,157</u>
Total fund balances	<u>-</u>	<u>18,606</u>	<u>18,606</u>	<u>3,157</u>
Total liabilities and fund balance	<u>\$ 150</u>	<u>\$ 24,475</u>	<u>\$ 24,625</u>	<u>\$ 3,307</u>

RIGA TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended March 31, 2006
With Comparative Totals for the Year Ended March 31, 2005

	<u>Liquor Law Enforcement</u>	<u>Building Department</u>	<u>2006</u>	Totals <u>2005</u>
Revenues:				
Charges for services	\$	\$ 36,063	\$ 36,063	\$ 11,570
Miscellaneous	<u>784</u>	<u> </u>	<u>784</u>	<u>784</u>
Total revenues	<u>784</u>	<u>36,063</u>	<u>36,847</u>	<u>12,354</u>
Expenditures:				
Liquor law enforcement	1,800		1,800	1,800
Building Department	<u> </u>	<u>20,614</u>	<u>20,614</u>	<u>10,126</u>
Total expenditures	<u>1,800</u>	<u>20,614</u>	<u>22,414</u>	<u>11,926</u>
Excess (deficiency) of revenues over (under) expenditures	(1,016)	15,449	14,433	428
Other financing sources:				
Transfers in	<u>1,016</u>	<u> </u>	<u>1,016</u>	<u>1,016</u>
Net change in fund balances	-	15,449	15,449	1,444
Fund balances -- beginning of year	<u>-</u>	<u>3,157</u>	<u>3,157</u>	<u>1,713</u>
Fund balances -- end of year	<u>\$ -</u>	<u>\$ 18,606</u>	<u>\$ 18,606</u>	<u>\$ 3,157</u>

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2006

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>
<u>ASSETS</u>				
Cash in bank	<u>\$ 583</u>	<u>\$ 1,079,083</u>	<u>\$ 1,078,499</u>	<u>\$ 1,167</u>
<u>LIABILITIES</u>				
Accounts payable	<u>\$ 583</u>	<u>\$ 1,079,083</u>	<u>\$ 1,078,499</u>	<u>\$ 1,167</u>